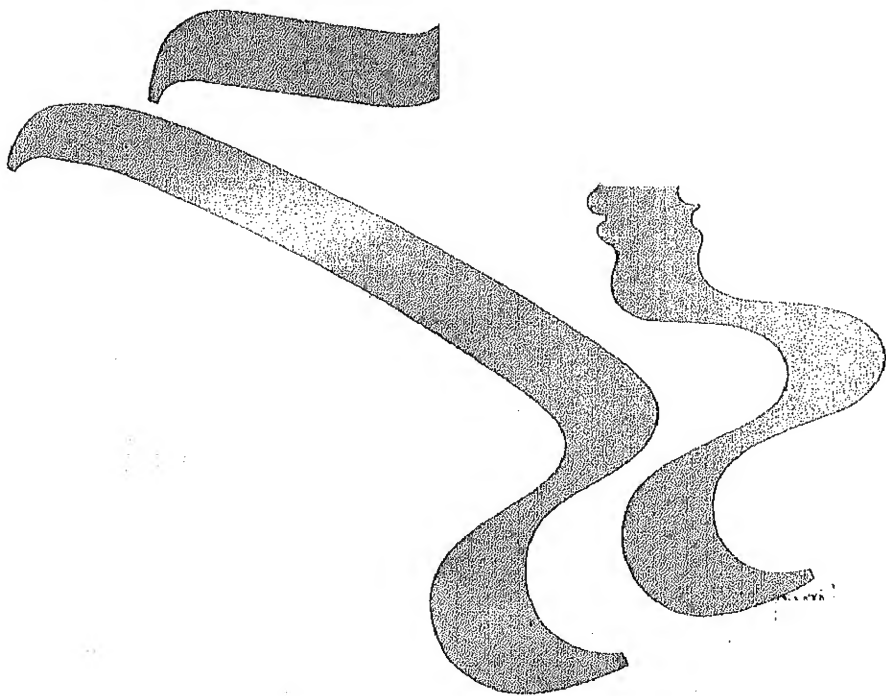


SOCIAL SECURITY

How it works for you.



IT NEVER STOPS WORKING.

SOCIAL SECURITY HOW IT WORKS FOR YOU

A Message from the Commissioner:

Social Security. What do those words mean to you? How much do you know about the program?

Social Security has been paying benefits to the American people for almost 50 years. It is a Federal Government program for you and your family when you retire, become severely disabled, or die.

Some people believe that Social Security provides only retirement benefits for the elderly. Many think of it as a regular deduction from their paychecks. Many doubt they will ever receive Social Security benefits. Still others think of Social Security as a welfare program for poor people.

These are just a few of the misunderstandings people have about Social Security. Unfortunately, the program is plagued by so many half-truths and misconceptions that it has been called the most misunderstood program in government.

I want to clear up any misunderstandings you may have about Social Security and help you to know exactly how the program works. After all, it's your program—you pay for it and you benefit from it. You have certain rights under Social Security and certain responsibilities, and I believe you should be an informed consumer of its benefits and services.

This pamphlet answers some of your questions about Social Security. I hope it will clear up some of the common misconceptions and half-truths about the program.



DORCAS R. HARDY
Commissioner of Social Security

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INTRODUCTION

Social Security is designed to replace part of the income you and your family lose when you:

- ☐ retire
- ☐ become severely disabled, or
- ☐ die

Many Americans think of Social Security only as benefiting retired people. But it is actually a package of protection—retirement, survivors, and disability insurance. It protects you and your family while you work and after you retire. Social Security is a base to build on, now and in the future, with other insurance and investments, such as private pensions and personal savings.

A common misconception is that Social Security operates like a bank. Social Security is not a savings or checking account. Rather, Social Security is a pipeline.

Social Security has been financed on a “pay-as-you-go” basis. Revenues collected from today’s workers flow into one end of the pipeline and come out the other end in the form of benefits for today’s beneficiaries.

As you can see, Social Security is a pact between generations. Looking back, the pact is between you and, say, your parents. Your Social Security taxes pay for their Social Security benefits. Looking to the future, the pact is between you and your children. Their Social Security taxes will pay for your benefits. It links all of us together because it affects almost everyone.

Regardless of what you may have read or heard, today Social Security is a strong program that is growing stronger every year. The President, Members of Congress, and the people who administer the program are committed to making it work for you.

YOUR SOCIAL SECURITY TAXES

You and your employer each pay an equal share of Social Security (FICA) taxes. If you are self-employed, you pay taxes for retirement, survivors, disability, and hospital insurance at a rate twice the employee rate.

The following tables show the Social Security tax rate effective for January 1988 through 1989 and for 1990 and later.

Tax rate for you and your employer (each)

Percent of covered earnings

Years	For Retirement, Survivors, and Disability Insurance	Hospital Insurance	Employee and Employer Rate	Total
1988-89	6.06	1.45	7.51	15.02
1990 and later	6.20	1.45	7.65	15.30

Tax rate for self-employed people

Percent of covered earnings

Years	For Retirement, Survivors, and Disability Insurance	Hospital Insurance	Total
1988-89	12.12	2.90	15.02
1990 and later	12.40	2.90	15.30

Tax credits

Self-employed people will receive a credit against the self-employment Social Security tax rate of 2.0 percent of self-employment income for 1986-1989.

After 1989, this credit will be replaced with deductions designed to treat the self-employed in much the same manner as employees and employers are treated for Social Security and income tax purposes under present law.

WHAT YOU RECEIVE FOR YOUR SOCIAL SECURITY TAXES

Two things: monthly benefits and insurance protection. Most people know something about Social Security, but few know the extent of the monthly benefits they will eventually receive when they retire. And many people do not realize that, while they are working, they have insurance protection for themselves and their families should they die or become severely disabled.

This is a very important part of Social Security. Everyone wants to live and be relatively healthy until they retire, but we know that death and disability can and do strike men and women of all ages. In fact, we estimate that about 3 of every 10 young men who start working today will die or become severely disabled before reaching normal retirement age.

Over the years, we have been asked some questions about Social Security benefits, and you should know the answers to these questions:

When can I receive retirement benefits and how much money will I receive?

The normal retirement age today is 65. That is the age when you are eligible for full retirement benefits. But you can start receiving reduced benefits as early as age 62, and your spouse can receive them at the same age. If your child is under 16 or disabled, is receiving Social Security benefits, and is in your care, you can receive spouse's benefits regardless of your age.

The amount of your benefit depends on how old you are, when you apply, and your *lifetime* earnings on which you paid Social Security taxes. Other earnings and other types of income are not used to figure your Social Security benefit.

The table on pages 14 and 15 shows retirement benefits payable to a worker and spouse.

For more information about Social Security's retirement program, please check block 1 on the card enclosed with this booklet.

I am in my 20's and have just started working full time. What does Social Security provide for me?

As you work and pay Social Security taxes, your family is also becoming eligible for monthly benefits should you die.

We call the monthly benefits paid to your family, should you die, "survivors benefits." They are paid to:

- ☐ Widows or widowers. Benefits are paid at age 60, at age 50 if disabled, or at any age (including widows and widowers who are divorced) if they have responsibility for a child who is under 16 or disabled and is receiving benefits.
- ☐ Surviving children under age 18 (under 19 if in high school) or at any age if they are disabled.
- ☐ Parents of a worker who dies if the parents are 62 or older and were dependent on the worker.

The table on pages 16 and 17 shows survivors benefits that can be paid to various members of your family should you die. These figures are only estimates.

For more information about Social Security's survivors program, please check block 2 on the card enclosed with this booklet.

I have heard about the Social Security disability program. What does it mean to me?

You should understand two things about the disability program. *One* is that you will have this valuable protection soon after you start working. There are different coverage requirements for younger workers than for older ones, but generally you need to have paid Social Security taxes for 5 of the 10 years before you become disabled.

Two is that "disability" is defined in the law very strictly. Sometimes people believe they qualify for disability benefits, but they actually do not. Perhaps this has happened to you or someone you know. In order to qualify for disability benefits, a person's condition has to be expected to last for a year or result in death. The condition also must be so

severe that it prevents people from doing their previous work and, considering their age, education, and work experience, stops them from doing *any* kind of substantial work in the entire national economy.

The disability protection you are earning while you work and pay Social Security taxes can be substantial. The table on pages 18 and 19 shows disability benefits payable to you if you become disabled and to your spouse and children. The estimated monthly benefit amounts will be reasonably accurate if you have worked *steadily* since age 22 and received *regular, average* pay increases.

For more information about these requirements and the disability program in general, please check block 3 on the card enclosed with this booklet.

Are you saying that there is much more to Social Security than retirement benefits?

Exactly. Take a minute to think about it. If you are a worker, how well would your family get along if you became disabled or died?

If you have worked long enough under Social Security—and most workers have—you could count on a continuing cash income for yourself and your family if you became disabled . . . and your survivors would receive monthly cash benefits if you should die.

And part of the FICA taxes withheld from your pay are for Medicare. When you become 65, you will be eligible for Medicare even if you keep on working. Also, you are eligible for Medicare if you have been receiving disability benefits for 2 years or have permanent kidney failure. For more information about Medicare, please check block 4 on the card enclosed with this booklet.

JUST HOW DO I RECEIVE BENEFITS?

The first step is to call your local Social Security office because someone — probably you — must apply for benefits. This should be done as soon as possible when you decide to claim benefits. Your application can be taken by telephone or you can schedule an appointment to talk to a Social Security representative. Also, someone from the office can come to see you if you are hospitalized or unable to leave home because of a disability.

How do I become eligible for Social Security?

For a worker and a family to receive monthly cash benefits, the worker must have earnings *credits* for a certain amount of work under Social Security. Almost every kind of job, as well as self-employment, fits in this category.

In 1987, you earn one credit for each \$460 of earnings you have during the year, up to a maximum of four credits for \$1,840 or more of earnings. This includes gross wages paid to you and net self-employment income. In 1988, these dollar figures will be \$470 for one credit and \$1,880 for four credits, and they will increase automatically in future years as average wages increase.

When a person has a certain amount of credits, we say that he or she is “fully insured” and can receive monthly benefits at retirement age.

No one can be fully insured with less than 6 credits (1½ years of work), and a person who has credit for 10 years of work can be sure that he or she will be fully insured for life for retirement or survivors benefits. Having enough credits to be insured means only that certain kinds of Social Security benefits can be paid—it does not determine the amount.

The following chart shows how much credit for work covered by Social Security you need to be fully insured.

For workers reaching age 62 in	Years of credit needed
1984	8 $\frac{1}{4}$
1985	8 $\frac{1}{2}$
1986	8 $\frac{3}{4}$
1987	9
1988	9 $\frac{1}{4}$
1989	9 $\frac{1}{2}$
1990	9 $\frac{3}{4}$
1991 or later	10

(Note: You are fully insured if you have one credit for each year after 1950 up to the year you reach 62, become disabled, or die. In counting the years after 1950, a person born in 1930 or later would omit years before 22.)

IS SOCIAL SECURITY IN YOUR FUTURE?

This is one of the most frequently asked questions about Social Security. Some people are always concerned about the future of Social Security. But the fact is, today, the program is on a very sound financial footing. The Social Security taxes paid this year exceed the benefits that will be paid, and this is expected under present law for the next 40 years, at which time a sizable reserve fund is expected to exist. So the solvency of the program extends into the next century.

As you learn more about Social Security for you and your family, you should also know more about the size and scope of the entire program. It really does affect almost all of us:

- ☐ 126 million people — more than 9 out of every 10 workers (and their employers) in this country — will pay \$248 billion in Social Security taxes in 1988 and will also earn protection.
- ☐ Currently, about 38 million people receive Social Security benefits every month — about one out of every six persons in this country — and 3 million of these beneficiaries are children.
- ☐ Those beneficiaries will be paid about \$217 billion in 1988. That's more than \$18.1 billion each month or almost \$600 million every day.

Social Security never stops working for you because so many of us are directly involved in the program. It benefits almost everyone.

IS SOCIAL SECURITY A GOOD BUY?

Despite the bright prospects for the future of Social Security, many people are still concerned about receiving their money's worth from the program. People express doubt that they will receive back as much in benefits as they paid in Social Security taxes.

The fact is that most people will receive more in retirement benefits than they pay in taxes. Some will not, but these people will have had a valuable package of disability and survivors insurance protection over their working lifetimes. Their Social Security taxes have provided *life* insurance protection in the form of monthly cash benefits for their eligible family members in the event they die before retirement. They also have had *disability* insurance protection.

The Social Security program is an efficient means to provide a base of economic security in today's society. Going beyond the narrow personal view of Social Security, it can be fairly stated that all workers—today and in the future—receive their money's worth as part of society. Each one of us receives both tangible and intangible benefits. Most younger workers today, for example, do not have to worry about fully supporting their parents, thanks in large part to Social Security. Each of us also has the assurance that our Social Security taxes are being used wisely. Of each Social Security dollar paid out every year, only about 1 percent (1 cent) is used for administrative expenses.

Approximate Monthly Retirement Benefits if Worker Retires

Worker's age in 1988	Worker's family	\$10,000	\$15,000
25	Retired worker only	\$618	\$801
	Worker and spouse ¹	927	1,201
35	Retired worker only	572	740
	Worker and spouse ¹	858	1,110
45	Retired worker only	523	677
	Worker and spouse ¹	784	1,015
55	Retired worker only	475	614
	Worker and spouse ¹	712	921
65	Retired worker only	425	550
	Worker and spouse ¹	637	825

¹Spouse is assumed to be the same age as the worker. Spouse may qualify for a higher retirement benefit based on his or her own work record.

Note: The accuracy of these estimates depends on the pattern of the worker's actual past earnings, and on his or her earnings in the future. See text for details.

To use the table, find your age and the figure closest to your earnings in 1987. These figures will give you an estimate of your retirement benefits at various ages.

at Normal Retirement Age with Steady Lifetime Earnings

Retired worker's earnings in 1987

\$20,000	\$25,000	\$30,000	\$35,000	\$43,800 or more
\$983	\$1,129	\$1,214	\$1,300	\$1,471
1,474	1,693	1,821	1,950	2,206
908	1,045	1,123	1,203	1,358
1,362	1,567	1,684	1,804	2,037
831	958	1,030	1,092	1,201
1,246	1,437	1,545	1,638	1,801
754	862	910	946	1,003
1,131	1,293	1,365	1,419	1,504
675	768	797	816	838
1,012	1,152	1,195	1,224	1,257

Approximate Monthly Survivors Benefits if the Worker Dies

Worker's age	Worker's family	\$10,000	\$15,000
25	Spouse and 1 child ¹	\$668	\$864
	Spouse and 2 children ²	717	1,073
	1 child only	334	432
	Spouse at age 60 ³	318	412
35	Spouse and 1 child ¹	662	856
	Spouse and 2 children ²	706	1,056
	1 child only	331	428
	Spouse at age 60 ³	316	408
45	Spouse and 1 child ¹	662	854
	Spouse and 2 children ²	705	1,054
	1 child only	331	427
	Spouse at age 60 ³	315	407
55	Spouse and 1 child ¹	660	860
	Spouse and 2 children ²	703	1,060
	1 child only	330	430
	Spouse at age 60 ³	315	410
65	Spouse and 1 child ¹	638	824
	Spouse and 2 children ²	682	1,024
	1 child only	319	410
	Spouse at age 60 ³	304	390

¹ Amounts shown also equal the benefits paid to two children, if no parent survives or surviving parent has substantial earnings.

² Equals the maximum family benefit.

³ Amounts payable in 1988. Spouses turning 60 in the future would receive higher benefits.

Note: The accuracy of these estimates depends on the pattern of the worker's earnings in prior years. See text for details.

To use the table, find the age and earnings closest to your age and earnings in 1987.

1988 and had Steady Earnings

Deceased worker's earnings in 1987

\$20,000	\$25,000	\$30,000	\$35,000	\$43,800 or more
\$1,060	\$1,226	\$1,318	\$1,410	\$1,572
1,263	1,432	1,539	1,646	1,834
530	613	659	705	786
505	584	628	672	749
1,048	1,220	1,310	1,400	1,516
1,252	1,424	1,529	1,635	1,769
524	610	655	700	758
500	581	624	667	722
1,046	1,216	1,286	1,332	1,384
1,251	1,420	1,502	1,555	1,616
523	608	643	666	692
499	579	613	635	660
1,046	1,194	1,242	1,272	1,306
1,250	1,395	1,451	1,485	1,524
523	597	621	636	653
498	569	592	606	622
1,012	1,152	1,194	1,224	1,256
1,206	1,345	1,395	1,429	1,468
506	576	597	612	628
482	549	570	583	599

Approximate Monthly Disability Benefits if the Worker becomes

Worker's age	Worker's family	\$ 10,000	\$ 15,000
25	Disabled worker only	\$459	\$59
	Disabled worker, spouse, and child ¹	689	89
35	Disabled worker only	449	57
	Disabled worker, spouse, and child ¹	674	87
45	Disabled worker only	447	57
	Disabled worker, spouse, and child ¹	672	86
55	Disabled worker only	446	57
	Disabled worker, spouse, and child ¹	670	86
64	Disabled worker only	435	56
	Disabled worker, spouse, and child ¹	653	84

¹Equals the maximum family benefit.

Note: The accuracy of these estimates depends on the pattern of the worker's earnings in prior years. See text for details.

To use the table, find the age and earnings closest to your age and earnings in 1987.

disabled in 1988 and had Steady Earnings

Disabled worker's earnings in 1987

	\$20,000	\$25,000	\$30,000	\$35,000	\$43,800 or more
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\$731	\$837	\$900	\$964	\$1,076
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1,098	1,256	1,351	1,447	1,615
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710	824	885	941	1,005
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1,066	1,237	1,328	1,413	1,509
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708	821	869	900	936
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1,063	1,233	1,304	1,351	1,404
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707	810	842	862	886
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1,061	1,215	1,263	1,294	1,330
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689	785	813	832	853
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1,034	1,178	1,221	1,248	1,280
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NEED MORE INFORMATION?

Now that you have read this booklet, you are well on your way to a better understanding of what Social Security means to you and your family. But one pamphlet cannot answer *all* your questions about Social Security. Please read the enclosed card and check the blocks for additional pamphlets or the earnings record form we can send you.

Social Security.

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